

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3089
ANSWERED ON:08.12.2000
FRAUDULENT NBFCs
SHIVAJI VITHALRAO KAMBLE

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government are aware of growing number of massive frauds committed by Non-Banking Financial Companies in the country during the last three years;
- (b) If so, the details of major frauds committed by NBFCs - company-wise in Maharashtra and action taken against fraudulent NBFCs;
- (c) The action taken to regulate the operations of NBFCs to protect the interests of investors; and
- (d) The present status of follow-up action taken/proposed for frauds committed by NBFCs in Maharashtra?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b) & (d) : The Reserve Bank of India (RBI) has reported that no specific fraud committed by Non-Banking Finance Companies (NBFCs) in the country were reported during the last five years. However, certain complaints have been received from depositors that some of the NBFCs have failed to meet the repayment obligations towards their depositors. In Maharashtra, there are five delinquent companies namely,

(i) DJS Finance Corporation Ltd.,

(ii) Sanjeevani Savings & Investments (I) Ltd.,

(iii) Enarai Finance Ltd.,

(v) Midwest India Industries Ltd. failed to meet the depositors' liabilities. The Bank has also filed criminal complaints against Rossel Finance Ltd. and Midwest India Industries Ltd. for non-compliance of the orders passed by the Company Law Board. The Bank had also approached police authorities for conducting investigation into criminal charges against the directors.

(c) : A comprehensive regulatory framework has already been put in place which is aimed at protecting the interests of the depositors and ensuring that Non-Banking Finance Companies function on sound and healthy lines. The regulatory framework includes inter-alia compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI also takes action against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder. Central Government is proposing to introduce in Parliament during the current session a new legislation for NBFCs for better regulation of NBFCs and by providing more safeguards for the depositors.